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SIPDIS

DEPARTMENT FOR AF/W (JHUNTER)

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TAGS: ECON PREL SL

SUBJECT: IMF VIEWS ON SIERRA LEONE'S ECONOMIC PERFORMANCE

Classified By: CHARGE GLENN FEDZER FOR REASON 1.4(B)

¶1. (U) Summary: Ambassador Perry met with two International Monetary Fund (IMF) representatives on September 18 to review Sierra Leone's recent economic and governance performance. The officials are currently undertaking an Article IV review that will be the basis for IMF policy recommendations. They are also taking advantage of this mission to review the 2009 budget to ensure it is consistent with commitments made under the Poverty Reduction and Growth Facility. Though tempered with realism, the discussion highlighted many reasons for optimism about Sierra Leone's long-term development prospects. End Summary.

¶2. (U) Ambassador Perry met with two International Monetary Fund (IMF) representatives on September 18 to review Sierra Leone's recent economic and governance performance. Norbert Toe, Deputy Division Chief of the African Department, accompanied by Alvin Hilaire, IMF Resident Representative in Guinea and Sierra Leone, are currently undertaking an Article IV review. This statutory mission reviews countries' financial and economic arrangements through discussions with Government of Sierra Leone (GoSL) interlocutors, and is the basis for IMF policy recommendations. This type of review occurs every two years in Sierra Leone. Taking advantage of this mission, Mr. Toe and Mr. Hilaire are also reviewing the 2009 budget with the President, Minister of Finance, and others to ensure it is appropriate with commitments made under the Poverty Reduction and Growth Facility.

¶3. (C) Mr. Toe explained that data recorded to the end of June, 2008, is under review. While he praised the Ministry of Finance for improvements in terms of the provision of information and statistics, he noted that the performance has not been stellar. Of the nine performance criteria, three were missed in the areas of revenue, the primary balance, and the Central Bank balance. Mr. Toe stated that revenue was a near-miss, and that the National Revenue Authority (NRA) is making strides in improving the taxation system. Recording and monitoring non-tax revenue, however, is a problem. The Primary Balance shortfall is largely due to excessive travel by the Executive and Legislative branches of government. President Koroma assured the IMF representatives in a meeting on September 18 that he would curb official travel, and apparently appeared embarrassed when this was identified as a concern. Also impacting the Primary Balance was the 2008 budget's omission of a promised \$5 million GoSL contribution to the Bumbuna hydroelectric project. This contribution was eventually made, but created an unexpected deficit in the primary balance. This, in turn, created problems with the Central Bank balance.

¶4. (C) The Ambassador reported that the GoSL frequently informs her of their "disappointment" in the donor community, which they feel has failed to provide them with the funds they need to effectively reduce poverty and drive growth (Note: The GoSL budget is between 54-56% donor-funded, according to the Deputy Minister of Finance. End note.). The Ambassador herself feels that the GoSL must become

self-sufficient through building its domestic revenue base. The IMF hears similar complaints, and responds with the same refrain as the USG: mobilizing domestic resources is the only way for Sierra Leone to move forward. While it is likely the GoSL will continue to request donations for budgetary support, it does appear that they are taking the message of self-sufficiency to heart. An example of this is the NRA's revamping of the taxation system and planned implementation of a penalty system in October, 2008, for those who fail to pay their taxes. This is considered by many to be a significant step forward for the NRA and the GoSL.

¶5. (U) Mr. Toe asked Ambassador for her views on the Anti-Corruption Commission (ACC) and governance in general. The ACC, under the leadership of Commissioner Abdul Tejan-Cole, is making great strides in terms of reorganizing into an effective unit. The Ambassador stated that the revised law, which was signed by the President on September 1 but cannot be implemented until it is publicly gazetted, is a strong piece of legislation that gives the ACC the power to effectively investigate and prosecute corruption at all levels. The IMF representatives said they were also impressed with the law, the commitment and fortitude of Mr. Tejan-Cole, and the support that President Koroma has shown to the ACC. Mr. Toe asked if the USG would consider providing financial support to help ensure the ACC's positive momentum, and the Ambassador replied that opportunities were already being explored.

¶6. (U) On the governance issue, Ambassador Perry outlined the role the mission played in the local elections, particularly the support provided to organizations to inspire and train

FREETOWN 00000478 002 OF 002

female candidates. Ambassador and embiffs also added to the chorus of voices in the international community promoting messages of peace and tolerance in the build-up to election day. She informed the IMF representatives that the USG is also working closely with the GoSL on maritime issues, which encompass security, environmental, economic, and social dynamics. Ambassador Perry's primary message to Mr. Toe and Mr. Hilaire was that the GoSL has made progress, even substantial progress considering the hardships and obstacles facing them. She was hopeful that this positive trend will continue, particularly in the area of economic development.

¶7. (C) Comment: Though the GoSL has fallen short on some of its commitments to international financial institutions, there is a universal view that these deficiencies are primarily due to capacity and resource limitations rather than will. The IMF has been patient with Koroma's administration thus far, but also acknowledged that there will ultimately be consequences if actions continue to fall short of agreed-to expectations. Still, representatives appear to agree with the Ambassador's view that there are a number of reasons to be optimistic about Sierra Leone's ability to make structural changes in the short-term for long-term economic benefit. Supporting such entities as the ACC, in principle and practice, would be a clear sign that the USG believes a turnaround in Sierra Leone is probable, rather than possible. End Comment.

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